

The role of normative CSR promoting institutions in stimulating CSR disclosures in developing countries

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Abstract

This paper provides evidence that CSR forums and networks such as the UNGC local network, NGOs such as the WWF and CSR standards such as ISO14000 play a significant role in driving CSR disclosure, using data from publicly quoted companies in Pakistan. The role of CSR promoting institutions in enhancing capacity can provide a key explanation for the previously noted differences in disclosure patterns between developed and developing countries, on the one hand, and the improved disclosure in developing countries linked to the development of such institutions, on the other. Academically, this research demonstrates the vital importance of CSR promoting institutions, and the related normative isomorphism logics, for CSR disclosure in lower income countries, which have previously been assumed to largely lack such institutions. In practical terms, the significant relationship between CSR promoting institutions and CSR disclosure suggests that we need stronger policies to encourage the development of such institutions.

Keywords: Corporate Social Responsibility, CSR Promoting Institutions, CSR Disclosure, Quality of CSR Disclosure, Developing Country, Pakistan

Introduction

CSR disclosure continues to attract considerable scholarly interest due to its variability across firms, industries or countries, its role as a social accountability mechanism, and the debate about factors influencing it (e.g. Parker, 2005; Owen, 2008; Gray, 2010; Mahadeo et al., 2011b). However, as the majority of the studies on factors influencing CSR disclosure were conducted in developed country contexts (cf. Fifka, 2013 meta-analysis of 200 studies), there is still much need for more research on factors influencing CSR disclosure in emerging/developing economies (see Ghazali, 2007; Belal & Momin, 2009; Haji, 2013; Kansal et al., 2014). In particular, little is known about the interactions between ‘CSR promoting institutions’ and CSR disclosure in emerging/developing economies.

More research on developing countries is highly warranted given the perceived wide differences between developed and developing countries with regards to disclosure practices (Ali et al., 2017), which can be attributed to different socio-cultural environments, religious influences or levels of national economic development (Örtenblad, 2016; Jamali and Karam, 2017). Empirical studies in developed countries have pointed to a wide range of different influences – and hence a mixture of different domestic sources of isomorphic pressures – on CSR disclosure, emanating largely from domestic stakeholder groups – including regulators (Neu et al., 1998; Cormier & Magnan, 1999; Chih et al., 2010; Shi et al., 2012), shareholders (see Neu et al., 1998; Toms, 2002; Thorne et al., 2014), creditors (Roberts, 1992; Oh et al., 2011), investors (Wilmschurst & Frost, 2000), environmentalists (Deegan & Gordon, 1996; Neu et al., 1998), the media (Neu et al., 1998; Deegan et al., 2002; Reverte, 2009; Nikolaeva & Bicho, 2011) and the wider public (Belkaoui & Karpik, 1989; Patten, 1991; Cormier et al., 2005). In contrast, scholars have assumed that corporations in developing countries perceive little pressure from the wider public and other domestic actors for CSR disclosure (see Belal & Owen, 2007; Belal & Cooper, 2011; Momin & Parker, 2013). Consequently, empirical studies in developing countries have largely neglected to investigate the internal sources and normative influences on disclosure, instead pointing to the key influence of foreign stakeholder groups – and the associated coercive isomorphic pressures – on CSR disclosure, including most notably international buyers (see Belal & Owen, 2007; Islam & Deegan, 2008), foreign investors (Teoh & Thong, 1984; Belal & Owen, 2007; Khan et al., 2013; Chiu & Wang, 2014), international media concerns (Islam & Deegan, 2008) and international regulatory bodies such as the World Bank (see Rahaman et al., 2004)..

This paper helps to fill a gap in the literature by examining the role played by normative ‘CSR promoting institutions’ in stimulating the CSR reporting agenda in developing countries, given that previous studies have argued that a company will be more likely to act in a socially responsible manner if there is a link between managers and normative institutions that promote responsible behaviour (Campbell, 2007; Fernandez-Feijoo et al., 2012; Blasco & Zølner, 2010). Normative isomorphism can be the most potent form of institutional pressures with regards to organizational behaviour, as firms conform not because they perceive external actors to be powerful but because certain practices become embedded and “taken for granted as ‘the way we do these things’ ” (Scott, 2001: 57) and, indeed, successful institutionalization of social and environmental disclosure within organizations in developed countries has been explained on the basis of “taken for granted” common systems of meaning, rules and routines (Contrafatto, 2014). Empirical research on developed countries has provided much evidence of the influence of such taken for granted normative influences on CSR disclosure, including from specific CSR promoting institutions (Brown et al., 2009a; Runhaar and Lafferty, 2009; Morhardt, 2009). In contrast, we know relatively little about the role of normative institutions that promote responsible behaviour in developing countries. Previous studies on the developing countries have pointed that the lack of CSR education and CSR reporting support are reasons

for non-disclosure of CSR information (see Thompson & Zakaria, 2004; Zulkifi & Amran, 2006; Md & Ibrahim, 2002). The companies' interaction with CSR promoting institutions might help them to overcome this weakness. Indeed a study conducted in Mexico showed a significant positive relationship between company interactions with an institution promoting responsible behaviour and the extent of CSR disclosure (Perez-Batrez et al., 2012). In other words, CSR promoting institutions may be an influential factor in explaining the reasons for disclosure and non-disclosure in developing countries. Therefore, this research sets out to examine the association between CSR promoting institutions and CSR disclosure made by companies operating in a developing country, specifically a lower income country which is said to lack many of the CSR promoting institutions (Thompson & Zakaria, 2004; Zulkifi & Amran, 2006; Lu & Castka, 2009; Md & Ibrahim, 2002; Perry & Teng, 1999).

The disclosure studies conducted in developing countries predominantly focused on the amount of disclosures made when measuring CSR disclosure and paid little attention to the quality of CSR disclosure (see review by Belal & Momin, 2009). Previous authors have pointed to the need to examine the quality of information disclosed when examining disclosures in developing countries (Belal et al., 2013). Therefore this research measures CSR disclosure by taking into account the quality of information disclosed and aims to examine the association between CSR promoting institutions and the quality of CSR disclosure. By investigating this research objective, this research contributes to the existing literature on developing countries by pointing to a significant positive relationship between CSR promoting institutions and CSR disclosures, measured in a qualitative way.

The remainder of this article is organised as follows. The next section defines CSR disclosure and reviews CSR disclosure literature on developing countries. The second section presents the theoretical framework for this study. The following section discusses the methodology for testing the theoretical model. The core of the paper consists of data analysis results of empirical tests. The penultimate section presents a discussion of the results and limitations of this study. The last section presents the conclusion.

CSR Disclosure

The term 'CSR disclosure' shares similarities with other concepts including 'corporate social reporting' (Gray et al., 1996) and 'social and environmental disclosure' (Hackston & Milne, 1996; Gray et al., 1996) used sometimes interchangeably in the extant literature. CSR disclosure is defined as the voluntary provision of information on a corporation's interaction with its natural and social environment (Gray et al., 1996; Guthrie & Parker, 1989; Deegan & Gordon, 1996; Hackston & Milne, 1996; O'Dwyer, 2002). The information published by a company may fall under several categories (Gray et al., 1996). However, most social accountancy researchers agree that CSR related information falls in the four categories: environment, human resource, products and consumer, and community involvement (Hackston & Milne, 1996; Amran & Devi, 2008; Branco & Rodrigues, 2008). Therefore the information disclosed by a corporation in these categories will be considered as 'CSR disclosure' in this research. This may reveal how a corporation interacts with its employees, customers, environment, and the local community.

While sovereign governments have influenced 'CSR disclosure' in a number of countries including France (Knudsen et al., 2015) and China (Marquis & Qian, 2014), CSR disclosure remains a largely unregulated phenomenon in most countries (Deegan & Unerman, 2011). Due to the unregulated nature of CSR disclosures, managers have discretion about what and how to report. CSR disclosures may range from generalised disclosures on the one hand, to specific, quantitative and verifiable disclosures on the other hand (Hasseldine et al., 2005). Although

the extant disclosure literature predominantly focused on examining the extent and level of CSR disclosure (Haniffa & Cooke, 2005; Hasseldine et al., 2005; Branco & Rodrigues, 2008; Mahadeo et al., 2011a), however, this research incorporates the nature of disclosures in accomplishing objectives of this research. The extant literature views the 'quality (nature) of CSR disclosure' as a proxy of a firm's actual social and environmental performance (Blowfield & Murray, 2011).

Most previous studies on CSR disclosure in developing countries have largely focused on a small selection of emerging economies such as Malaysia, South Africa, Taiwan and India (see.g. Wanderley et al., 2008; Amran & Devi, 2008; Haniffa & Cooke, 2005; Huang & Kuang, 2010; Singh & Ahuja, 1983) and provided a largely descriptive account of CSR disclosure (e.g. Savage, 1994; Belal, 2001; Belal & Momin, 2009; Sobhani et al., 2009; Mahadeo et al., 2011b). These studies have *inter alia* shown that companies in developing countries have paid more attention to human related themes as compared to community and environment related activities (e.g. Disu & Gray, 1998; Belal, 2001; Gao et al., 2005; Haniffa & Cooke, 2005; Ratanajongkol et al., 2006), while they paid considerably less attention to environmental related issues as compared to companies in developed countries (e.g. Belal & Owen, 2007; Eljido-Ten, 2009; Sobhani et al., 2009). This scholarship pointed to very substantial differences in social and environmental disclosures among countries, which have typically been attributed to differences in the social, political, and governance contexts (e.g. Williams, 1999; Adams et al. 1998; Chih et al. 2010; Kamla, 2007; Wanderley et al., 2008), while other most commonly examined factors influencing CSR disclosure included corporate size, industry and corporate financial performance (Singh & Ahuja, 1983; Haniffa & Cooke, 2005; Tagesson et al., 2009).

Several studies on developing countries (i.e. Hong Kong, Malaysia, and Mauritius) have noted that the extent and level of CSR disclosure is increasing with the passage of time (Gao et al., 2005; Haniffa & Cooke, 2005; Mahadeo et al., 2011b). However, this increase has typically been linked to external coercive pressures rather than normative pressures in the developing countries. The CSR reporting agenda in developing countries was typically ascribed to external forces/powerful stakeholders e.g. international buyers, foreign investors, international media, international regulatory bodies i.e. World Bank, and government regulations (see Rahaman et al. 2004; Amran & Devi 2007; Belal & Owen 2007; Islam & Deegan 2008; Momin & Parker 2013). Conversely, in contrast to developed countries, corporations in developing countries were said to perceive little pressure from the local public for CSR disclosure (see Belal & Owen, 2007; Belal & Cooper, 2011; Momin & Parker, 2013) and internal factors such as the cost of reporting CSR information, non-availability of CSR data and a lack of motivation were said to hamper CSR disclosure in developing countries (Mitchell & Hill 2009; De-Villiers 2003; Belal & Cooper 2011; Momin & Parker 2013). In other words, as previously indicated, disclosure studies have largely assumed away the internal sources and normative influences on disclosure, which presents an important gap in the literature.

Theoretical Framework

Institutional theory scholarship suggests that firms need to adapt their social and environmental practices in order to conform to the prevailing formal institutions (e.g. laws, policies or private agreements) and informal institutions (e.g. cultural norms, religious beliefs or professional routines) because they cannot survive without a certain level of external social approval (e.g. Barrena-Martínez, 2016; Jamali et al., 2017; cf. Frynas and Yamahaki, 2016). The theoretical model developed here is based on institutional theory and assumes that normative CSR promoting institutions may shape the CSR reporting agenda in developing countries in the

same way as they demonstrably do in developed countries (see Perez-Batres et al., 2012; Deegan & Blomquist, 2006). Scholarship from the institutional lens provides rich evidence that CSR reporting may be promoted by a range of institutions and different types of isomorphisms (recent examples from this journal include Gallén and Peraíta, 2017; Gallego-Álvarez and Quina-Custodio, 2017), but – with reference to DiMaggio & Powell’s (1983) typology – notable among them are normative pressures including from educational institutions, professional associations and social movement organizations (Levy & Kolk, 2002; Muthuri & Gilbert, 2011).

CSR promoting institutions such as CSR frameworks and networks, NGOs and CSR standard setting institutions are, according to institutional theory scholarship, considered to be among the normative institutions (Blasco & Zølner, 2010; Muthuri & Gilbert, 2011), which set the values and norms which define the appropriate behaviour of the firm. Values refer to “*what is desirable/socially acceptable to pursue*”, while norms refer to “*desirable ways of acting and being*” (Bebbington et al., 2009, p.5). Marquis et al. (2007) further explained the norms and values of the society as rules of the game i.e. “*what is right to do around here*”. These rules of the game are considered standards of appropriate corporate social behaviour. It has been strongly suggested in the literature that companies that interact with or are members of CSR promoting institutions will be more aware of CSR issues and will be more likely to act in a socially responsible manner (Campbell, 2007; Fernandez-Feijoo et al., 2012). In this study, we specifically investigate the influence of CSR frameworks and networks, NGOs, and CSR standard setting institutions, although it should be remembered that there are other normative institutions such as educational institutions, media, and civil society groups which can set the standards for appropriate corporate behaviour (Muthuri & Gilbert, 2011). Specifically, we follow previous disclosure studies such as Perez-Batres et al. (2012), Deegan and Blomquist (2006) and Sumiani et al. (2007), which have shown that CSR reporting is shaped by CSR promoting institutions particularly CSR forums and networks, NGOs and standard setting institutions. Figure 1 presents a model of the hypothesized antecedents of CSR disclosure and the hypothesized relationships are described below.

[Insert Figure 1 here]

CSR Forums and Networks

Following institutional theory, professional networks are among the key sources of normative pressures, which can shape professionals’ behaviour (DiMaggio & Powell, 1983; Amran & Devi, 2008). It has been observed that the presence of CSR forums and networks in developed (Fombrun, 2005; Jenkins, 2006; Mena & Palazzo, 2012) and developing countries (see Belal & Owen, 2007; Belal & Cooper, 2011; Visser & Tolhurst, 2010) encourages companies to address their associated social and environmental issues. Scholars have pointed out that CSR related forums and networks enable companies to understand, measure and to report CSR activities (Jenkins, 2009). Further to this, such forums and networks appear to influence companies to assume greater responsibility, transparency, accountability and better disclosure practices (Waddock, 2008; Steurer, 2010).

Several CSR forums and networks (e.g. CSR Pakistan, CSRCP, UNGC, GCPLN¹ etc.) operating in Pakistan are encouraging companies in Pakistan to act in a socially responsible manner and/or to disclose their CSR information, and many companies in Pakistan are members of these networks (Visser & Tolhurst, 2010). In the light of institutional theory, due to companies' interaction with CSR forums and networks, normative isomorphism is likely to occur in those organizations through a process of professionalisation as a result of the increasing importance of highly specialist and complex professional CSR standards that are transmitted through CSR-related professional networks (Levy & Kolk, 2002; Zelli & van Asselt, 2013), which suggests that the normative type of institutions may change the behaviour of executives who interact with normative institutions. There are also some chances of mimetic isomorphism occurring, as pointed out by DiMaggio and Powell (1989), whereby companies imitate other companies' practices which are learned from professional networks and peers in order to look similar to other firms operating in the same institutional environment. The key role of professional networks in stimulating CSR activities has been noted by both academic and non-academic studies. These studies suggest that companies which are a member of professional networks, such as e.g. Sustainable Business Network and UNGC, are more likely to adopt social and environmental initiatives and exhibit better social and environmental performance (e.g. Cetindamar & Husoy, 2007; Collins et al., 2007; McKinsey & Company, 2004). With specific reference to CSR disclosure, some studies have suggested that professional networks can stimulate social and environmental reporting (e.g. Chen & Bouvain, 2009; Perez-Batres et al., 2012; Tschopp & Huefner, 2015). Perez-Batres et al. (2012) found that Mexican local companies which belonged to national sustainability programs were found to be significantly positively related to sustainability reporting, while Chen and Bouvain (2009) found that UNGC membership had a significant impact on disclosure, albeit this effect significantly differed by country and by issue. This scholarship suggests that corporate executives, members of professional bodies promoting responsible practices, may change their behaviour and disclose CSR information to conform to normative institutional actors' (i.e. CSR forums and networks here) expectations and therefore the following hypothesis can be derived:

H1. Companies which belong to CSR forums and networks (i.e. CSR Pakistan or CSRCP or UNGC or GCPLN) have a significant positive relationship with CSR disclosure.

Non-Governmental Organizations (NGOs)

According to institutional theory, NGOs are considered normative institutions (Amran & Devi, 2008; DiMaggio & Powell, 1983). NGOs played a significant role in highlighting companies' social and environmental issues in both developed (Tilt, 1994; Antal & Sobczak, 2007; Baur & Palazzo, 2011) and developing countries (Dogar, 2000; Eade & Ligteringen, 2001; Hussain-Khaliq, 2004; Islam & Deegan, 2008; Bano, 2008). NGOs along with business analysts and academic researchers have contributed considerably to the setting of social and environmental standards and to the development of social and environmental reporting frameworks such as the Global Reporting Initiative (GRI) guidelines (Westlund, 2008; Deegan & Unerman, 2011). Academic studies have pointed out the role played by such NGOs in influencing corporate policies and practices related to labour and environmental issues (Tilt, 1994; Eade &

¹ Corporate Social Responsibility Centre of Pakistan (CSRCP), United Nations Global Compact (UNGC), United Nations Global Compact Local Network (UNGCLN)

Ligteringen 2001; Doh & Guay, 2006; Antal & Sobczak, 2007; Arenas et al., 2009; Lu & Castka, 2009).

Several NGOs such as the International Labour Organization (ILO) and the World Wide Fund for Nature (WWF) operate in Pakistan, promoting the protection of labour rights and the environment (Eade & Ligteringen 2001; Bano, 2008; Visser & Tolhurst, 2010). Here we focus on the WWF, a global network which operates in more than 100 countries and creates awareness about issues such as climate change, the unsustainable use of natural resources and the vulnerability of rare species (WWF, 2013a). The WWF operates worldwide and is structured around a network of partly autonomous national offices. In Pakistan, 136 corporations are members of WWF-Pakistan (WWF, 2013b). With reference to institutional theory, the WWF may create normative pressures on the firms to incorporate environmental concerns into their business operations (Berman et al., 2003). Most pertinent to our study, various academic studies have argued that NGOs such as the WWF may create a pressure for corporations to disclose CSR related information (Bauer & Fenn 1973; Heard & Bolce 1981; Tilt, 1994; Aguilera et al., 2007; Islam & Deegan, 2008; Brown et al., 2009; Bebbington et al., 2012). An academic study conducted in Australia has specifically shown that WWF initiatives (in this case, the evaluation of environmental reports of mining companies) have influenced the reporting behaviour of individual mining companies as well as revisions in the industry codes (Deegan & Blomquist, 2006). Assuming that similar effects may exist in developing economies, we expect that companies which are members of WWF Pakistan will disclose more and better CSR information, particularly about the environment.

H2. Membership of an NGO (particularly WWF) has a significant positive relationship with CSR disclosure.

CSR Standard Setting Institutions

Following institutional theory, CSR standard-setting institutions are considered to be normative institutions, which can exert normative or mimetic pressure on the firm to adopt socially responsible practices (see Muthuri & Gilbert, 2011). There are numerous CSR standards, for example SA 8000 for employee relations, ISO 14000 for environmental management, OHSAS 18001 for health and safety, AA1000S for stakeholders management, and IIP for employees' learning and development which encourage companies to improve their social and environmental performance (Fombrun, 2005). Every standard has specific requirements with regards to, for example, developing policy, establishing plans, implementing plans, evaluating performance, and reviewing plans to be fulfilled by the company to acquire a certification from the third party. By complying with such standard requirements, companies may be pushed towards better social and environmental performance. In fact, studies have inter alia suggested that corporations that interact with standard setting institutions are more likely to exhibit socially and environmentally responsible behaviour (Matten & Moon, 2008; Dixon et al., 2005). The World Bank has shown that CSR labels and standards such as ISO14000, SA 8000, and AA 1000 have influenced CSR practices of multinational companies in both developed and developing countries (Berman et al., 2003). For example, some studies specifically showed that the adoption of certifications, in this case ISO 14000, results in better environmental performance (e.g. Heras-Saizarbitoria et al., 2011; Potoski & Prakash, 2005). Similarly to this, a study conducted in Norway also showed that the adoption of ISO 9000 leads to an improvement in business performance in terms of reduction of bad products, decline in customer complaints, and increase in productivity and profitability (Sun, 2000).

Some certifications such as ISO 14000 and Eco-Management and Audit Scheme (EMAS) require corporations to disclose about their environmental performance (Reynolds & Yuthas,

2008). Indeed, a few studies conducted in a developing country context have specifically pointed to the influence of ISO certifications on social disclosure (Kuasirikun & Sherer, 2004; Sumiani et al., 2007). Therefore, we expect that companies which adopt ISO certifications may disclose CSR information in order to conform to normative institutions' (i.e. ISO here) expectations. Thus, based on the above discussion, the following hypothesis can be derived:

H3. Companies that interact with CSR standards setting institutions have a significant positive relationship with CSR disclosure.

Control variables

The previous literature has shown a positive association between a company's size and CSR disclosure (Adams et al., 1998; Adams, 2002; Haniffa & Cooke, 2002; Haniffa & Cooke, 2005; Branco & Rodrigues, 2008; Reverte, 2009; Mahadeo et al., 2011a). In addition to this, company profitability was also found to have a significant positive relationship with CSR disclosure (Haniffa & Cooke, 2002; Thompson & Zakaria, 2004). Furthermore, the industry's environmental sensitivity also appears to positively influence CSR disclosure (Reverte, 2009; Mahadeo et al., 2011a). Therefore, these variables are considered control variables in this research.

Methodology

Research method

This research uses a content analysis research method to codify the reported information in the annual reports into CSR disclosure themes (cf. Abbott & Monsen, 1979; Milne & Adler, 1999). It is a most commonly used method in the extant literature to determine corporate social and environmental disclosure scores (see Amran & Devi, 2008; Bouten et al., 2011; Branco & Rodrigues, 2008; Cormier et al., 2005; Deegan et al., 2002; Gray et al., 1995a; Gray et al., 1995b; Hackston & Milne, 1996; Hou & Reber, 2011; Monteiro & Aibar-Guzmán, 2010; Zeghal & Ahmed, 1990). Annual reports were selected as a source of information for content analysis due to their accessibility and credibility, in line with previous disclosure studies that utilised annual reports as a source of information for content analysis (see Amran & Devi 2007; Belal 2001; Hackston & Milne 1996; Haniffa & Cooke 2005). This method allows for a comprehensive investigation of CSR disclosure by publicly quoted companies in our case study setting given that all of the listed companies of Pakistan are required to publish their CSR related information in annual reports as stipulated by CSR order, 2009.

Sample

The sample was drawn from listed companies of Pakistan, a low income developing country. The extant literature makes assumptions that particularly lower income countries such as Pakistan lack the CSR promoting institutions capable of widely encouraging CSR disclosure (Belal & Owen, 2007; Jamali & Neville, 2011; Lund-Thomsen et al., 2016), and we chose the Pakistani research setting precisely to further investigate this claim. 120 companies whose annual reports were available for the year 2011 on their respective websites or on the website of the Karachi Stock Exchange (KSE) were included in the sample. The makeup of the sample is provided in Table 1.

[Insert Table 1 here]

Measures

CSR disclosure quality

The CSR disclosure instrument was developed based on previous studies (see Hackston & Milne, 1996; Vountisjärvi, 2011; Branco & Rodrigues, 2008) and later updated based on the CSR related information reported in the annual reports of thirty leading companies of Pakistan. The final CSR disclosure instrument consists of four dimensions e.g. environment, human resource, products and consumers, and community involvement, and each dimension has several themes. In total this disclosure instrument has 23 themes. As mentioned earlier, given that CSR disclosure is a multi-dimensional construct and consistent with the previous studies (Hackston & Milne, 1996; Haniffa & Cooke, 2005; Branco & Rodrigues, 2008; Reverte, 2009), these dimensions have been combined in order to obtain a composite measure. In this study, the quality of CSR disclosure was examined by considering three types of information: aims, actions and performance indicators, reported about each CSR theme. The aims category covers companies' policies and general types of disclosure about a theme. The action category covers activities performed by a company to accomplish its aims/intentions. The performance category contains information about the inputs (e.g. amount and time spent on product developments etc.), the outputs (e.g. number of people benefited and number of new products introduced etc.) and the third party evidence (e.g. awards and survey results etc.) (see Vuontisjärvi, 2006; Bouten et al., 2011). Thus the aims and actions categories of a theme consist of declarative types of disclosure while the performance category of a theme covers both monetary and non-monetary quantitative evidence. The rank of a CSR disclosure theme was calculated based on the types of information (i.e. vision/goals, management approach, and performance indicators) disclosed about a theme. Table 2 explains the bases of a rank of each theme.

[Insert Table 2 here]

It is pertinent to mention that the score was assigned to a theme by manually reading the annual reports of companies included in the sample. Each annual report was coded by the two authors and later disparities were resolved through mutual consultation. The following formula was then used to calculate the CSR disclosure (quality) index:

$$\text{CSRSD (quality) Index} = 1/n(\sum_{i=1}^{n_j} X_{ij})$$

CSRSD (quality) Index = Corporate Social Responsibility Disclosure (quality) Index

X_{ij} = 1-7 was given to i^{th} theme of j^{th} firm based on the types of information disclosed about i^{th} theme

X_{ij} = 0 if i^{th} theme of j^{th} firm was not disclosed

$n_j \leq 23$; number of themes expected for j^{th} firm

CSR promoting institutions variables

CSR Forums and Networks (CSRF&N): A dummy variable is used to measure companies' membership of CSR forums and networks. There are four major CSR networks: CSR Pakistan, CSRCP, United Nations Global Compact, and Global Compact Pakistan Local Network, which operate in Pakistan and provide assistance to companies in reporting their CSR activities. Membership of a CSR forum and network is considered to be a dichotomous variable in which 1 is assigned to a company that is a member of any of the CSR forums/networks and 0

represents a company which is not a member of any CSR forum or network. This information can be traced from CSR forums/networks' websites.

NGOs (e.g. WWF): A dummy variable is used to represent the WWF, an NGO in which 1 is assigned to a firm which is a member of WWF and 0 is assigned to a firm which is not a member of WWF. This information can be extracted from the WWF website, which lists member companies.

CSR Standard Setting Institutions (CSRSSI): Standards related to employees and their health and safety, and standards related to products' quality and environment were used as a proxy for CSR standard setting institutions. This information is extracted from companies' annual reports. A dummy variable was used in which 1 was assigned to a company which has a CSR standard (such as SA8000, OHSAS, IIP or ISO14000) and 0 was assigned to a company which does not have these standards.

Control variables

Company size was measured by using total assets (see Haniffa & Cooke, 2005; Mahadeo et al., 2011) and corporate profitability was measured by using return on assets (see Haniffa & Cooke, 2005; Reverte, 2009). For environmental sensitivity, we used a dummy variable in which 1 was used for a company operating in an environmentally sensitive industry (SIC code 28XX excluding 283X, 22XX, 26XX, and 2911) and 0 if otherwise.

Data Analysis Technique

The relationship between CSR promoting institutions and CSR disclosures hypothesised earlier was tested by using multiple regression models. The general model of empirical analysis is as follows:

$$\text{Disclosure} = f(\text{CSR promoting institutions, Control variables})$$

This general model can be further explained as:

$$\text{Disclosure} = \alpha_1 + \beta_1 \text{CSR\&N} + \beta_2 \text{NGOs} + \beta_3 \text{CSRSSI} + \beta_4 \text{CS} + \beta_5 \text{CP} + \beta_6 \text{ES} + \varepsilon$$

Here

CSR\&N: CSR Forums and Networks

CSRSSI: CSR Standard Setting Institutions

CS: Company Size

CP: Corporate Profitability

ES: Environmental sensitivity

Results

Descriptive Results

Table 3 provides the results of a descriptive analysis of all the variables used in this study. In addition to this, it provides a test for normality for continuous variables. In terms of CSR disclosure (quality), the sampled companies got an average index score of 15.95. This indicates that the sampled companies paid attention to either limited CSR disclosure themes or made a disclosure about the aims and action indicators. Turning to the descriptive analysis of company characteristics, 35% of the sampled companies are operating in environmentally sensitive

industries, 15% are members of CSR forums and networks, 16.7% are members of NGOs and 50.8% have ISO9000/ISO14000/SA 8000/OHSAS/IIP standards. In addition to this, companies included in the sample are large in size (average total asset = PKR 36,296,792 thousands) and their average profitability is 3.11% of total assets (return on assets = 3.11%).

[Insert Table 3 here]

Regression Analysis Assumptions

As mentioned earlier, a multivariate regression analysis technique was used to determine the relationship between different types of CSR promoting institutions and the quality of CSR disclosures. To obtain valid results, the four regression analysis assumptions i.e. normality, linearity, homoscedasticity, and non-multicollinearity were examined. The Kolmogorov-Smirnov test for normality shows that scale variables included in the model are not normal (see Table 3). To remove the elements of non-normality, we applied natural log and van der Waerden's normal score transformation mentioned against those variables (see Table 3). The plot of standardized predicted values against the studentized residuals does not exhibit any non-linear pattern in the overall model. Further the residuals plot shows that the residuals are equally dispersed below and above the central line. It shows evidence of homoscedasticity of the residuals. To check Multicollinearity among the independent variables, various measures including correlations (highest correlation between any two independent variable is .442), tolerance value (ranges 0.674 - .915), and variance inflation factor (ranges 1.483 - 1.093) were calculated (see Table 4 & 5) showing that multicollinearity among the independent variables is not an issue.

[Insert Tables 4-5 here]

Regression analysis results

This research has used OLS regression analysis to determine the effect of independent variables on the dependent variables (see Table 5). As a base model, Model 1 contains all of the control variables and control variables collectively explain 33% (adjusted R^2) of the overall variation in the quality of CSR disclosure ($P < 0.001$). The results show that firm size ($p < 0.001$) and company profitability ($P < 0.05$) have a significant positive relationship with the quality of CSR disclosure. This is consistent with the existing environmental disclosure studies conducted in the developed countries showing a significant positive relationship of company size and company profitability with the quality of environmental disclosure (France: Cormier & Magnan, 2003; Germany: Cormier et al., 2005). These results suggest that large and highly profitable companies appear to make 'high quality' disclosure about CSR related issues. Environmental sensitivity control variable also has a significant positive relationship with the quality of CSR disclosure. It suggests that environmentally sensitive companies in Pakistan appear to make higher quality disclosures about social and environmental issues.

Model 2 contains all the experimental variables and these variables collectively explain 38.9% (adjusted R^2) of the overall variation in the quality of CSR disclosure ($P < 0.001$). The result shows that all the experimental variables: CSR forums and networks ($P < 0.001$), member of NGOs ($P < 0.10$) and CSR standard setting institutions ($P < 0.001$) have a significant positive relationship with the quality of CSR disclosure. The results show that CSR forums and networks and CSR standard setting institutions play a strong role in driving CSR quality reporting agenda, while there is only weak evidence for the role of NGOs in promoting the quality of CSR reporting.

Model 3 combines all of the control and experimental variables and these variables collectively explain 47.4% (adjusted R^2) of the overall variance in quality of CSR reporting ($P < 0.001$) and also shows a significant increase in overall explanatory power of control (Adjusted R^2 33%)

and experimental variables (adjusted R^2 38.9%). The results show that CSR forums and networks ($P < 0.001$), membership of NGOs ($P < 0.10$) and CSR standards setting institutions ($P < 0.001$) have a significant positive relationship with the quality CSR disclosure and thus provide support for H_1 , H_2 , and H_3 respectively. In other words, these results show, as expected, that there is a significant positive relationship between membership of CSR forums and networks (H_1), CSR standards setting institutions (H_2), and membership of NGOs (H_3) with the quality of CSR disclosure. Among the control variables, company size, company profitability and environmental sensitivity were all found to be significant.

Discussion and Conclusions

The primary motive for this study was to investigate the role played by CSR promoting institutions in promoting the CSR agenda, specifically CSR disclosure, in developing countries. This research has provided strong evidence that CSR forums and networks such as the UNGC local network, NGOs such as the WWF and CSR standards such as ISO14000 have played a significant positive role in driving CSR disclosure in at least one low income developing country. Thus, this research contributes to the literature on the determinants of CSR disclosure by demonstrating that CSR promoting institutions can play an important role in encouraging CSR disclosure even in low income countries that are beset by internal civil conflict and ostensibly lack effective state institutions.

While previous studies have often argued that the CSR disclosure agenda in developing countries can be implemented through formal regulation only (e.g. Boden, 1999; Jacobs & Kemp, 2002), our findings advance the research on social and environmental disclosure in developing countries by emphasizing the key normative roles of CSR promoting institutions in stimulating CSR reporting in these countries. In line with previous scholarly arguments that a company will be more likely to act in a socially responsible manner if there is a link between managers and normative institutions that promote responsible behaviour (Campbell, 2007; Fernandez-Feijoo et al., 2012), we found that companies adapt their disclosure practices to the prevailing normative standards (e.g. protecting animal species and the natural environment, and expectations of philanthropy) that emanate from interactions with CSR networks, NGOs or CSR standards.

Previous studies on developing countries, most notably on neighbouring and culturally close Bangladesh, have asserted that developing country companies are prevented from effectively disclosing their CSR performance due to the lack of specific knowledge or training for embarking on CSR reporting initiatives – i.e. poor social and environmental disclosure was said to be related to the lack of capacity (Belal & Owen, 2007; Belal & Cooper, 2011). In this context, specific CSR promoting institutions can help overcome these shortcomings and assist capacity building in developing countries. In other words, the interactions between companies and CSR promoting institutions in a developing country like Pakistan might have helped these companies to gain the expertise required for the effective disclosure of CSR performance. The role of CSR promoting institutions in enhancing capacity can provide a key explanation for the previously noted differences in disclosure patterns between developed and developing countries, on the one hand, and the improved disclosure in developing countries linked to the development of such institutions, on the other. In general terms, our findings direct attention to the importance of increasingly highly specialist and complex professional standards within the field of accounting (e.g. Rodrigues and Craig 2007; Brandau et al. 2013), which increasingly requires specialist professional institutions with their own normative isomorphism logics.

In practical terms, the significant relationship between CSR promoting institutions and CSR disclosure suggests that there is a need for policies to encourage the creation and promotion of such institutions, which may help to supplement state institutions. Given the empirical evidence from developed countries on the crucial influence of a variety of non-state institutions on CSR disclosure, it is unlikely that CSR disclosure in developing countries could be effectively developed through the exclusive reliance on state regulations and institutions alone. Mandatory CSR disclosure in countries such as India, Indonesia and South Africa has reportedly helped to significantly improve *the extent of CSR disclosure* (KPMG 2015), but CSR promoting institutions may be better placed to help improve *the quality of CSR disclosure* through normative expectations of higher reporting standards.

This research is subject to a number of limitations. Firstly, this research used CSR disclosure score as a composite measure rather than treating dimensions of CSR separately in the regression models. Future researchers may incorporate different dimensions of CSR while examining the relationship between CSR promoting institutions and CSR disclosure. Secondly, empirical tests were performed on large listed companies of Pakistan which may limit generalizability of the research findings. Future researchers should incorporate non-listed companies to further validate these findings. Future research may also examine the influence of other normative institutions (e.g. educational institutions) on CSR disclosure to supplement the findings of this research. Nonetheless, our study advances knowledge about the determinants of CSR disclosure in developing economies by pointing to the role of normative CSR promoting institutions in disclosure, in contrast to previous studies that focused on coercive pressures, particularly emanating from foreign buyers and investors. Given the remarkable recent rise of CSR disclosure among companies from emerging and developing countries (KPMG, 2013 and 2015), future researchers should discover the normative predictors of a firm's propensity to engage in disclosure in developing countries. We believe that, by incorporating different types of CSR promoting institutions, researchers will be able to paint a much fuller picture of the determinants of CSR disclosure in emerging and developing economies.

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Table 1: The Study Sample, by Industry

Description	Number of companies
Manufacturing Firms: Manufacture of textiles, chemicals, foods, non-metallic minerals, electrical equipment, motor vehicles, trailers and semi-trailers, refined petroleum products, basic metals, papers, pharmaceuticals, tobacco, and rubber and plastics products	67 (55.83%)
Financial and Insurance Firms: Banks, insurance, and Modarba companies	40 (33.33%)
Other firms: Companies involved in supplying electricity, gas, steam and air conditioning and companies involved in transportation and storage, extraction of crude petroleum and natural gas, telecommunications, and construction of buildings	13 (10.83%)
Total Firms	120 (100%)

Table 2: The Ranking System of a CSR disclosure theme

Ranks/Score	Explanation
0	Non-disclosure of information about a theme
1	Vision/goals information disclosure about a theme
2	Information related to management approach
3	Information related to vision/goals + management approach
4	Information related to performance indicators
5	Information related to vision/goals + performance indicators
6	Information related to management approach + performance indicators
7	Information related to vision/goals + management approach + performance

Table 3: Descriptive Statistics for the independent and dependent variables and Test of Normality

Descriptive Statistics		Test for Normality
CSR Disclosure Quality Score		Kolmogorov-Smirnov ^a
Mean	15.95	Statistic = .190, df 120, sig. = .000
Min	0	van der Waerden's Normal Score Transformation
Max	88	Statistic = .053, df 120, sig. = .200 [*]
Standard Deviation	18.33	Approximately Normal
Company Size (Total Asset)		Kolmogorov-Smirnov ^a
Mean	36296792.55	Statistic = .382, df 120, sig. = .000
Min	11263	Natural Log Transformation
Max	1153480100	Statistic = .056, df 120, sig. = .200 [*]
Standard Deviation	120865045	Approximately Normal
Company Profitability (ROA)		Kolmogorov-Smirnov ^a
Mean	3.1108	Statistic = .182, df 120, sig. = .000
Min	-45.25%	van der Waerden's Normal Score Transformation
Max	44.25%	Statistic = .009, df 120, sig. = .200 [*]
Standard Deviation	12.08562	Approximately Normal
CSR Forums and Networks membership		
Yes	15.0%	
No	85%	
NGOs (WWF) membership		
Yes	16.7%	

No	83.3%
CSR standard setting institutions	
Yes	50.8%
No	49.2%
Environmental Sensitivity	
Yes	35%
No	65%
N = 120, *. This is a lower bound of the true significance. a. Lilliefors Significance Correction	

Table 4: Correlation matrix: CSR disclosure quality and independent variables

Correlations		NCSRQ	CSR forums and networks membership	NGOs (WWF) membership	CSR standard setting institutions	lnCS	NROA	Environmental sensitivity
NCSRQ	Pearson Correlation	1						
	Spearman's rho							
CSR forums and networks membership	Pearson Correlation	.557**	1					
	Spearman's rho	.540**						
NGOs (WWF) membership	Pearson Correlation	.368**	.438**	1				
	Spearman's rho	.357**	.438**					
CSR standard setting institutions	Pearson Correlation	.443**	.320**	.171	1			
	Spearman's rho	.476**	.320**	.171				
lnCS	Pearson Correlation	.429**	.246**	.116	.245**	1		
	Spearman's rho	.455**	.267**	.128	.305**			
NROA	Pearson	.211*	.116	.134	.242**	-.059	1	

	Correla tion							
	Spear man's rho	.182*	.121	.135	.255**	-.102		.
Environ mental sensitivi ty	Pearso n Correla tion	.423**	.377**	.141	.442**	.170	.115	1
	Spear man's rho	.435**	.377**	.141	.442**	.210*	.112	

N = 120, lnCS = Natural log of Company Size, NROA = Normal Score of ROA, NCSRQI = Normal Score of CSR Disclosure Quality, ** Correlation is significant at the 0.01 level (2-tailed). * Correlation is significant at the 0.05 level (2-tailed).

Table 5: Determinants of quality of CSR disclosure

CSR Disclosure Quality					
	Prediction	Model 1 Control Model	Model 2 Experimenta l Model	Model 3 Full Model	Decision
CSR Promoting Institutions					
CSR Forums and Networks membership	+Ve		.402**** (.220)	.305**** (.215)	Accepted
NGOs (WWF) membership	+Ve		.142* (.203)	.137* (.189)	Accepted
CSR standard setting institutions	+Ve		.290**** (.143)	.154* (.149)	Accepted
Control Variables					
lnCS	+Ve	.384**** (.039)		.280**** (.036)	
NROA	+Ve	.195** (.074)		.118* (.068)	
Environmental Sensitivity	+Ve	.335**** (.152)		.159** (.153)	
(Constant)		-3.279**** (.605)	-.491**** (.099)	- 2.662**** (.548)	
F-Value		20.571	26.259	18.900	
Significance Value		0.000	0.000	0.000	
Adjusted R Square		33.0%	38.9%	47.4%	
Tolerance		0.965 – 0.980	0.746 - .897	0.674 - .915	

VIF	1.037 – 1.047	1.340 - 1.115	1.483 - 1.093
Durbin-Watson	1.839	1.894	1.784

Standardized Beta for Regression Coefficient, Standard errors are parentheses, lnCS = Natural log of Company Size, NROA = Normal Score of ROA, NCSRDQI = Normal Score of CSR Disclosure Quality, *P<0.1, **P<0.05, ***P<0.01, ****P<0.001

Figure 1:

Model of the Relationship between CSR Promoting Institutions and CSR Disclosure

